

Inactive Member Handbook



*Important Information for
Inactive Members of the
South Carolina Retirement System
and the
Police Officers Retirement System*

September 2006

Table of Contents

Inactive Member Program	1
It's Your Choice	1
Request a Refund	1
Taxes on a Refund of Contributions	2
Request a Rollover of Contributions	3
Refund/Rollover Equals Withdrawn Service	3
Leaving Your Funds on Deposit.....	4
Applying for a Deferred Retirement Annuity	4
Keep Your Account Information Current.....	5
Need More Information	6

Employers covered by the South Carolina Retirement Systems are not agents of the Retirement Systems.

The information in this brochure is meant to serve as a guide, but does not constitute a binding representation of the South Carolina Retirement Systems. The statutes governing the South Carolina Retirement Systems are found in Title 9 of the South Carolina Code of Laws, and should there be any conflict between this brochure and the statutes or the Retirement Systems' policies, the statutes and policies will prevail. Because state statutes are subject to change by the General Assembly, please contact us for the most current information.

Duplication of this brochure, either in part or in whole, is forbidden without the express written permission of the South Carolina Retirement Systems.

<p>THE LANGUAGE USED IN THIS DOCUMENT DOES NOT CREATE ANY CONTRACTUAL RIGHTS OR ENTITLEMENTS AND DOES NOT CREATE A CONTRACT BETWEEN THE MEMBER AND THE SOUTH CAROLINA RETIREMENT SYSTEMS. THE SOUTH CAROLINA RETIREMENT SYSTEMS RESERVES THE RIGHT TO REVISE THE CONTENT OF THIS DOCUMENT.</p>

Inactive Member Account Program

The South Carolina Retirement Systems' Inactive Member Program advises inactive members with funds in the Retirement Systems of their options. An inactive account is one for which no contributions have been reported for at least one fiscal year.

Our records indicate that you have funds on deposit in an inactive account with the South Carolina Retirement System (SCRS) or the Police Officers Retirement System (PORS), or both. If you have contributions in both SCRS and PORS, your service credit is maintained separately within each system but is added together to determine your eligibility for a retirement annuity. SCRS and PORS are 401(a) defined benefit retirement plans.

Current active members contribute a tax-deferred 6.5 percent of gross pay into their Retirement Systems' account. Although no contributions were reported for your account over the past fiscal year, your account accrues 4 percent interest compounded annually.

It's Your Choice

You have two options concerning your contributions:

- request a refund or rollover of your contributions and interest; or
- leave your funds in the Retirement Systems.

Request a Refund

You may apply for a refund of your accumulated contributions and interest if you are not

employed by an employer covered by the SCRS, PORS or GARS. You must complete a Refund Request (Form 4101) and return it to the Retirement Systems along with a legible copy of your current driver's license or state-issued identification card. You may download a Form 4101 from our Web site at www.retirement.sc.gov or obtain a form by contacting the Retirement Systems (see Page 6).

By law, there is a minimum 90-day waiting period from your date of termination until a refund can be made. If you have an SCRS account and a PORS account, you may not request a refund unless you are no longer a contributing member of either system. You must complete a Form 4101 for each account from which you are requesting a refund.

Taxes on a Refund of Contributions

Your retirement account may include both pre-tax and after-tax contributions. Contributions made after June 30, 1982, and all interest earned, plus any pre-tax rollovers made to purchase service and pre-tax installment service purchases, are considered pre-tax (deferred contributions) and are taxable when paid directly to you. Contributions made prior to July 1, 1982, and previously purchased service paid by personal check or through the Retirement Systems' after-tax Installment Service Purchase program are considered after-tax (non-deferred) and are nontaxable when paid to you.

The Internal Revenue Service (IRS) requires the Retirement Systems to withhold federal taxes of 20 percent on any taxable portion of your refund that is eligible for a rollover but is not transferred directly into another eligible retirement plan. State taxes may also apply. Refunds paid to beneficiaries upon your death may be subject to different tax withholding regulations.

If you do not take advantage of a rollover and are under the age of 59½, there will be a 10 percent penalty tax imposed on the taxable portion of your distribution when your federal income tax return is submitted. There are exceptions to this penalty tax, such as those provided by the Public Pension Protection Act of 2006. Contact the Retirement Systems for more information if you think one of the provisions applies to you. You may want to check with a tax advisor regarding your tax liability, or visit the IRS's Web site at www.irs.gov. You may access the South Carolina Department of Revenue's Web site at www.sctax.org.

Rollover Your Contributions

The taxable portion of your distribution is eligible for a tax-deferred rollover to a traditional Individual Retirement Account, a 401(k) plan, a 401(a) plan, a 403(b) plan, or some 457 plans. The South Carolina Deferred Compensation Program's 457 plan will not accept rollovers from your Retirement Systems' account.

You may elect to roll over all or any part of your taxable contributions plus interest. Check with the plan to which you wish to rollover your taxable contributions to make sure it will accept your rollover. If you elect a partial rollover, the Retirement Systems will send you a check for the remainder of your account.

Refund/Rollover Equals Withdrawn Service

Once the funds in your retirement account have been distributed to you as a refund and/or rollover, you no longer have service credit in the Retirement Systems. Withdrawing your retirement contributions and interest removes any service credit you earned during your covered employment. By taking your SCRS and/or PORS account contributions plus interest, you forfeit your rights to any future service retirement or disability retirement benefits.

If you return to active membership, you may re-establish your withdrawn service by repaying the amount you withdrew plus interest to the date the Retirement Systems receives your request.

Leaving Funds on Deposit

When you leave your money on deposit, your account continues to accrue interest and you retain your years of service credit, which may be added to any future service you may accrue should you later be employed in a position covered by this retirement system. You may apply for a refund at a later date or apply for a service retirement annuity upon reaching eligibility. Please contact the Retirement Systems (see Page 6) for information on eligibility requirements.

To get an estimate of what your monthly deferred retirement annuity would be (if eligible), use the benefits calculator on our Web site at [www. retirement.sc.gov/estimate/index.html](http://www.retirement.sc.gov/estimate/index.html), or contact the Retirement Systems.

If you decide to leave your funds on deposit, keep this guide with your important records so that you will have the information you need to apply for a deferred retirement annuity (if eligible) or a refund at a later date.

Applying for a Deferred Retirement Annuity

When you become eligible to apply for a deferred retirement annuity, complete either the *SCRS Application for Service Retirement Benefits* (Form 6101S) or the *PORS Application for Service Retirement Benefits* (Form 6101P) available on our Web site at www.retirement.sc.gov, and send it to the Retirement Systems. If you need help or have questions about eligibility, contact the Retirement Systems (see Page 6).

You must file an application to receive a deferred retirement annuity; it is not automatic. If you elect to file an application for a deferred retirement annuity, it is important to do so as early as six months prior to your desired effective date of retirement since, by statute, we cannot establish a date of retirement more than 90 days retroactively.

Keep Your Retirement Account Information Current

As a member with an inactive account, it is very important to keep your address and beneficiaries current with the Retirement Systems.

As long as you are not receiving an annuity or do not have a pending refund claim, you may change your address by telephone or in writing. If you are receiving an annuity or have a pending refund claim, you must notify us of an address change in writing. You may also use the *Retirement Plan Enrollment* (Form 1100) found on our Web site at www.retirement.sc.gov to change your address.

To find out who the designated beneficiaries for your account are, contact the Retirement Systems (see Page 6). If you keep your address current with the Retirement Systems, you will receive an inactive member statement each year that lists your designated beneficiaries.

If you want to change your beneficiaries prior to submission of your retirement application, please complete the *Beneficiary Form* (Form 1102) available on our Web site at www.retirement.sc.gov. Contact the Retirement Systems for deferred annuity eligibility requirements.

Need More Information?

If you have questions or would like more information, please contact the Retirement Systems.

Mailing Address

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